



Arizona Department of Administration Telecommunications Program Office

*Report to:
The Joint Committee on
Capital Review*

**Status of the Statewide
Telecommunications Contract
(AZNet)**

**1st Quarter – FY 2009
Quarterly Report**

Table of Contents

1.0	Executive Dashboard.....	3
2.0	Major Accomplishments	10
2.1	Program Management	10
2.2	Infrastructure Improvements	10
2.3	Operational Improvements	11
2.4	Communications	12
3.0	Program Details.....	13
3.1	Capital Investments	13
3.1.1	FY 2007 Infrastructure Investment Charge (IIC) Projects	13
3.1.2	FY 2008 Infrastructure Investment Charge (IIC) Projects	15
3.1.3	FY 2009 Infrastructure Investment Charge (IIC) Projects	17
3.1.4	Agency-Specific Projects (DMT Projects)	18
3.2	Program Financials	19
3.3	Operational Metrics	20
3.4	Resources.....	21
3.5	Customer Satisfaction	21
4.0	Appendix	24
4.1	Acronyms and Glossary	25

1.0 Executive Dashboard

Accomplishments and Notable Metrics (unaudited)

- Accenture's scorecard showed 18 months without missing a Severity 1 Service Level Agreement (SLA); 38 months without missing a Severity 2 SLA.
- Accenture performed the annual agency management satisfaction survey and reported a score for the last year of 5.78 of 8.00, up from 5.50 in the previous year, with a response rate of 34%.
- Accenture continued work on its draft of the AZNet Five-Year Roadmap (including the network architecture) and revisions to the FY 2009 and FY 2010 Annual Operating Plans.
- AZNet modified the existing call center system to support the increased volume of calls (due to the election and increased use of State services) and significantly reduced the "busy signal" problem.
- TPO and AZNet worked with GITA and the agencies to develop a secure solution for Virtual Office Workers.
- Accenture reported agency 2% early pay discount dipped to 57% of the amount available in September from 89% in August. Unclaimed amount for the quarter was \$37k.
- Accenture continued inventory, 76% complete (inventoried 561 sites and 1,838 devices to date).
- Accenture reported carrier savings continued at over \$430k per month.
- AZNet worked with ADOA's Information Service Division to migrate 120 servers for the Department of Education to the ADOA Data Center without incident.
- AZNet implemented office installation projects for Arizona School for Deaf and Blind, Early Childhood, DES, ADOT, and AHCCCS.
- TPO evaluated with Accenture and Qwest the option of adding new service whereby agencies can lease to purchase off-contract Local Area Network equipment.
- Accenture reported all current AZNet project managers have achieved GITA's State Project Manager Certification.

Significant Issues / Risks

- DISPUTE—Project pricing: TPO dispute of 4/30/08 regarding whether or not AZNet contractor labor for building the new converged network is included in the Contractor Seat Charges was evaluated by the State Procurement Office (SPO) and its findings were the seat charges include only day-to-day operations.
- RISK—RESOLVED: AHCCCS upgrade and transition to new AZNet support service (Cisco Remote Operation Service). Completed transition to new service 7/17/08 after call center system upgrade, which was completed 6/2/08.
- ISSUE—RESOLVED: Arizona State Retirement System (ASRS) migration to the new Voice Application Transformation (VAT) call center system. ASRS to migrate off its current Avaya system and move to the consolidated State call center system—VAT.
- ISSUE: AT&T ACCU Ring rate increase. Dispute between State and AT&T regarding \$52k for OC12 service from rate increase. SPO ruled cost result of poor project management. Accenture to provide more data to TPO and SPO, including \$37k in non-disputed charges that were paid by the State.
- ISSUE: Time to Dispatch (TTD) SLA. TPO requested root cause analysis of failure to measure and report on TTD SLA. Accenture's view is trouble ticket software (Remedy) provided by the State does not provide features needed to manage the TTD SLA, and the TTD SLA may not be of sufficient value to AZNet to warrant remediation. TPO disagrees with Accenture's position.
- RISK: Accenture's view is current "Virtual Office Worker" design that includes router equipment for roll-out could greatly increase the quantity of routers that must be supported and thereby potentially affect costs. AZNet team working to develop low cost solution.

Infrastructure Investments / Enhancements

- Completed the following Infrastructure Investment Charge (IIC) projects:
 - Migration of Phoenix locations for Agriculture and Education off the old SL100 system and onto the new IP Telephony system, but Economic Security portion put on hold due to Local Area Network upgrade requirements.
 - Completed the due diligence phase of the project to consolidate and replace the State's Call Center Infrastructure (the "Voice Application Transformation" or VAT Project), held Town Hall meeting for all affected agencies, and ordered the equipment for the new VAT system.
- Continued work on VAT project implementation.
- Continued work on Core Redundancy project for preserving State's connectivity in event of phone switch failure.
- Initiated projects for central systems to support Virtual Office Workers and Small State Offices (using less expensive Digital Subscriber Line or Cable Modem services).
- Initiated project for extending MAGNET to agencies with Central Avenue locations in Phoenix, but additional information needed on the resulting carrier savings.

Operational Service Level Agreements (SLAs) – unaudited

AZNET SLA Scorecard - unaudited

Service Level Agreement		SEP 07	OCT 07	NOV 07	DEC 07	JAN 08	FEB 08	MAR 08	APR 08	MAY 08	JUN 08	JUL 08	AUG 08	SEP 08
SERVICE LEVEL														
Severity 1 Trouble Repair SLA	SLA Status													
	Incident Count	1	4	2	0	2	0	0	4	1	1	0	3	2
	Missed Tickets	0	1	0	0	0	0	0	0	0	0	0	0	0
	Metric*	-3.55	-19.75	-9.11	0.00	-2.91	0.00	0.00	-12.97	-3.75	-3.10	0.00	-11.00	-10.60
Severity 2 Trouble Repair SLA	SLA Status													
	Incident Count	25	19	17	9	12	11	12	10	8	9	17	11	19
	Missed Tickets	2	1	0	1	2	0	0	1	0	0	4	1	2
	Metric*	-118.50	-85.61	-80.45	-31.11	-41.24	-55.41	-54.66	-28.04	-40.94	-42.09	-50.47	-48.20	-99.68
Severity 3 Trouble Response SLA	Incident Count**	x	x	x	x	482	440	431	498	440	443	608	558	663
	Missed Tickets**	x	x	x	x	11	7	5	3	2	16	24	13	7
	% Met	x	x	x	x	97.8%	98.4%	98.9%	99.4%	99.6%	96.4%	98.1%	97.7%	99.00
	Trouble Tickets not Reopened	97%	99%	98%	98%	99%	98%	98%	98%	99%	100%	99%	99%	99%
Time to Dispatch Target 98% ***	Incident Count	9	11	14	8	6	6	3	7	3	4	11	5	13
	Missed Tickets	0	1	0	0	2	1	0	1	0	0	4	2	3
	% Met	100%	91%	100%	100%	67%	83%	100%	86%	100%	100%	63%	60%	77%
	SLA Status													
Chronic Problems	Incident Count	0	0	0	0	0	0	0	0	1	4	3	15	19
	Tier I Availability ****	99.994%	99.987%	99.991%	100.000%	99.986%	99.997%	99.998%	99.995%	100.000%	99.995%	99.999%	99.999%	100.000%
Tier II Availability ****		99.993%	99.997%	99.995%	99.996%	99.993%	99.999%	99.999%	99.997%	99.998%	99.934%	99.995%	99.997%	99.999%
	Tier III Availability ****	99.998%	99.997%	99.997%	99.998%	99.999%	99.998%	99.997%	99.995%	100.000%	99.999%	99.994%	99.995%	99.986%
On-Time Completion of Services Target 95%		96.7%	95.9%	93.8%	97.2%	95.8%	98.2%	98.8%	97.9%	99.1%	97.0%	97.8%	97.2%	97.7%
Service Requests Not Reopened		98%	98%	99%	99%	99%	99%	99%	99%	99%	100%	99.86%	99.67%	99.57%
SYSTEM SERVICE LEVELS														
Severity Level I														
Severity Level II														
Tier I Availability ****														
On-Time Completion of Services														
Target Carrier Savings														
SLA Credits (excluding Carrier Savings)										\$49,300	\$200	\$1,600	\$2,400	\$1,300
Carrier Savings SLA Credits											\$28,214.75			

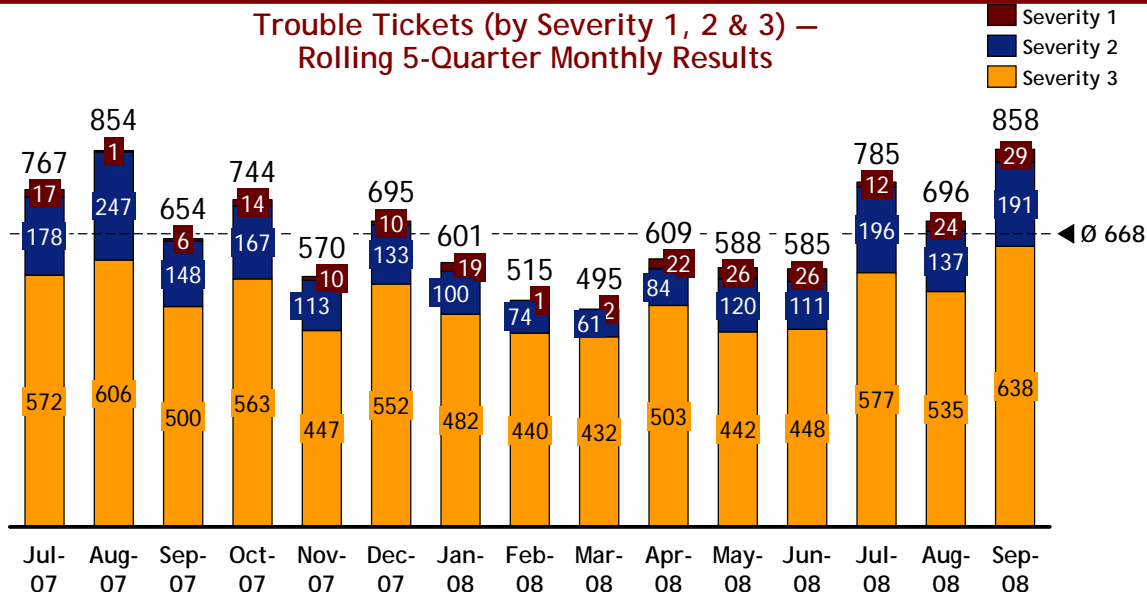
Notes:

- Green means met SLA, Red means missed SLA and service credit paid.
- (*) Metric shows the total number of hours "under" the SLA target (if negative number) or "over" the SLA target (if positive number).
- (**) SLA not reported, issue resolved through settlement agreement.
- (***) Time to Dispatch Severity 1 and Severity 2 only.
- (****) Type 2 SLA for which no measurement period has occurred.

Notes:

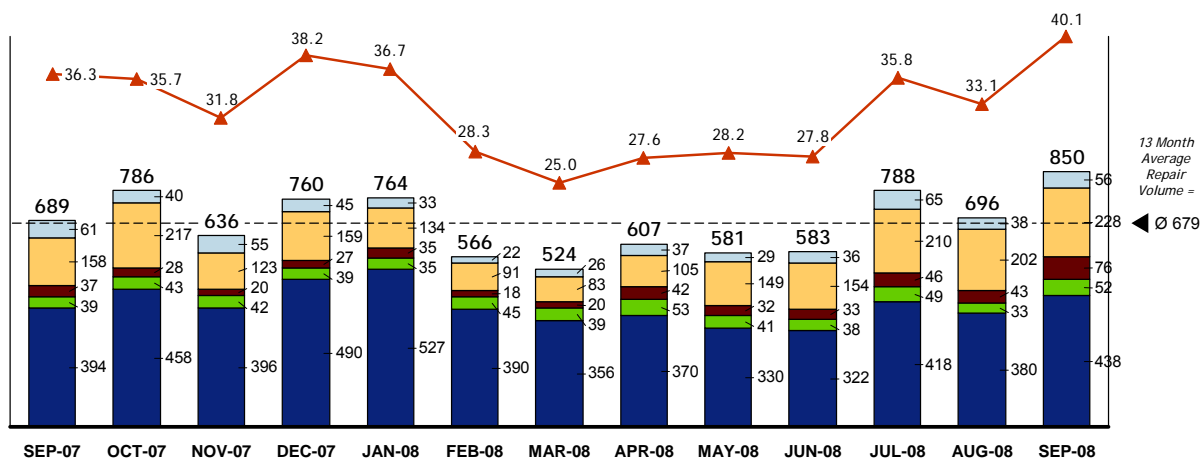
- Green means met SLA, Red means missed SLA and service credit paid.
- (*) Metric shows the total number of hours "under" the SLA target (if negative number) or "over" the SLA target (if positive number).
- (**) SLA not reported, issue resolved through settlement agreement.
- (***) Time to Dispatch Severity 1 and Severity 2 only.
- (****) Type 2 SLA for which no measurement period has occurred.

Trouble Ticket Trending, by Severity – unaudited



There continues to be evidence of seasonal fluctuations as well as increased occurrences of multiple tickets per outage (i.e., multiple agencies impacted by single outage).

Statewide Trouble Ticket Review (by Type of Service) – unaudited

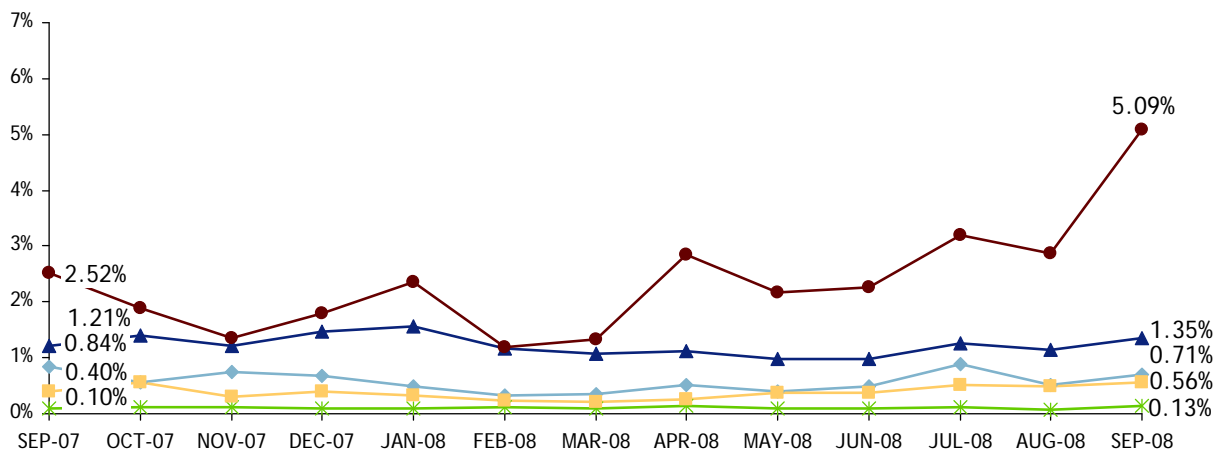


Analysis Results:

- The 13-month Average Monthly Repair Volume continues to trend favorably (FY08: Q1 = 729, Q2 = 704, Q3 = 696, Q4 = 678; FY09: Q1 = 679).
- Ticket Volume metrics across all categories increased in September '08, resulting in an overall 22% increase from prior month.
- September Carrier tickets very high at 120 versus 12 month average of 63
- September Power tickets very high at 43 versus 12 month average of 31

Avg # of Repairs per Workday
IPT
Data
Call Center
Security
Legacy Voice (TDM)

Statewide Trouble Tickets as a % of Correlated Seat Type – unaudited

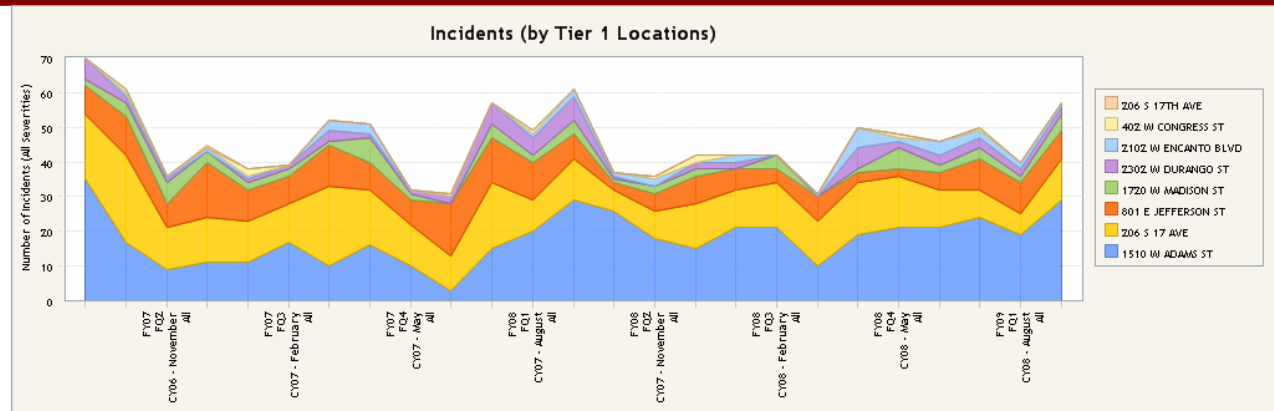


Analysis Results:

- Call Center increases partially due to number of tickets generated for 2 trunk group outages (20) and 1 IVR outage (5) in September and a large number of call center upgrades and changes

* Security Tickets / All Seats (40,434 seats)
♦ IPT Tickets / IPT Seats (7,869 seats)
▲ TDM Tickets / TDM Seats (32,565 seats)
■ Data Tickets / All Seats (40,434 seats)
● CC Tickets / CC Seats (1,493 seats)

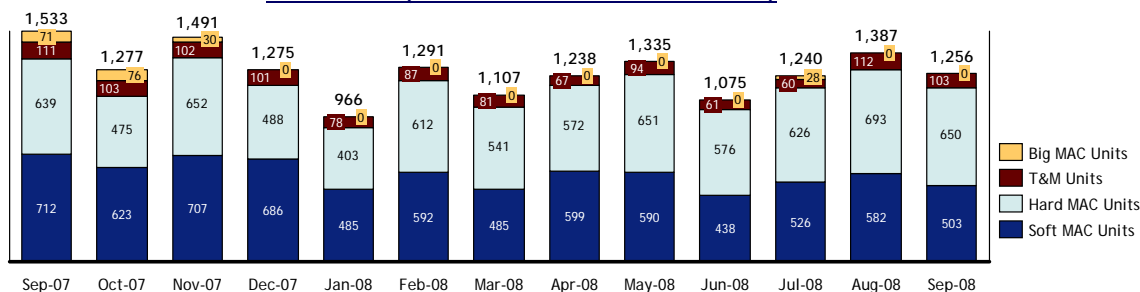
Tier 1 Site Incident Performance Review - unaudited



- In the last 13-month period (i.e., September 2007 – September 2008), there was an average of 45 incidents per month (including all severities) across all seven AZNet Tier 1 locations.
 - The average number of incidents for the period June 2007 – June 2008 was 44.
 - The average number of incidents for the period March 2007 – March 2008 was 43.
 - The average number of incidents for the period December 2006 – December 2007 was 44.
- Peak periods are the result of weather related issues associated with the late summer months.

Statewide Moves, Adds, Changes (MAC) Review - unaudited

MAC Volume (Allowance & Non-Allowance MACs)



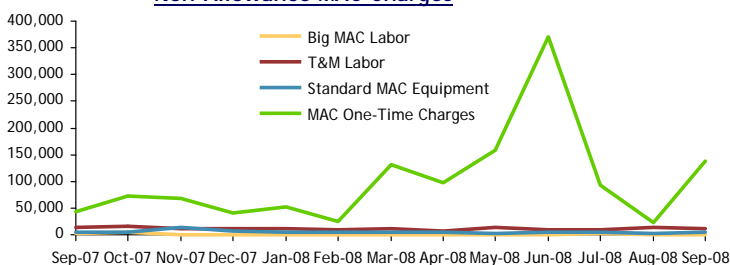
Analysis:

- MAC Allowance has not been exceeded since October 2005. Total overage in expenditures to-date are \$1,708 in Hard MACs and \$6,871 in Soft MACs.
- Change in Big Mac threshold has resulted in minimal-to-no Big Mac cost.

Notes:

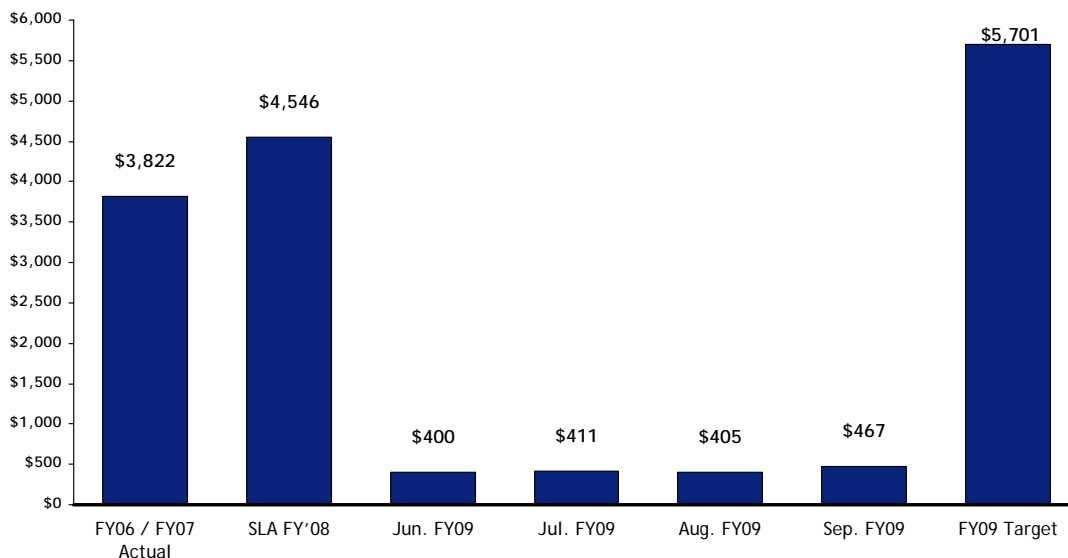
- MACs closing on or after 10/1/07 use a new Big MAC threshold of 25 MAC Activity Units (previous threshold = 10).
- Months depicted are "Invoice Month". MAC Tickets are actually closed during prior month.

Non-Allowance MAC Charges



Savings / Cost Avoidance

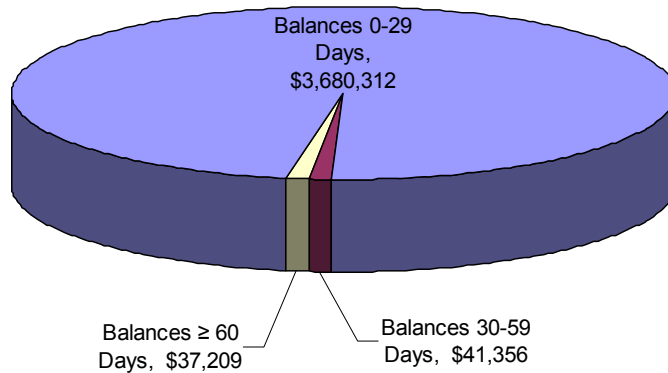
Savings Scorecard as of September 30, 2008 - unaudited
(in \$000's)



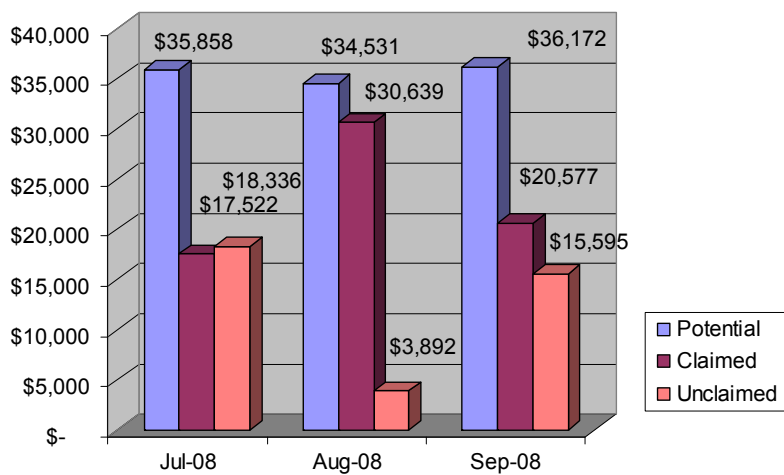
- Savings/Cost Avoidance amounts are attributable to Telecommunications Expense Management (TEM), WAN Consolidation, Trunk Optimization, Long Distance rate adjustments, and Voice over Internet Protocol. Amounts do not necessarily correlate with actual spending on carrier services since usage, increased agency data bandwidth requirements and some rate modifications are not part of the savings calculations. The fiscal year is measured from June through May.

Billing Scorecard - unaudited

**Operations Accounts Receivable
Balances Owed September 30th, 2008**



**Early Payment (2%) Discount
Q1 Potential vs. Q1 Claimed**



2.0 Major Accomplishments

Major accomplishments are grouped by category. The major categories are: Program Management, Infrastructure Improvements, Operational Improvements, and Communications. The *AZNet* program accomplishments during the first quarter of FY 2009 have been summarized below.

2.1 Program Management

- **Virtual Office Worker (VOW)** – An agreed upon architecture to support VOWs on a going forward basis was finalized during the quarter, and a central system to securely support VOWs was implemented. The new system supports the new GITA Statewide standard P150.
- **Strategic Program Planning** – During this first quarter, a draft version of Five-Year Roadmap and FY 2010 Annual Operating Plan (AOP) were delivered to the TPO, and the Roadmap included documentation of the *AZNet* network architecture. This document is under review by the TPO and further modifications have been requested. This Roadmap accounts for what the needs are in building out the envisioned statewide enterprise converged network, rather than what is available in current funding.
- **Project Pricing** – On April 30, 2008, the TPO filed a dispute asserting that the labor for building out the converged network required in law is covered by the bundled phone service (seat) price charged monthly by Accenture. SPO reviewed the issue and its findings were that the seat price included only costs of day-to-day operations. The charges for projects by Accenture continue to be a time consuming task and a matter of disagreement.
- **Time to Dispatch (TTD) SLA** – TPO requested Accenture perform a root cause analysis for not measuring or reporting on the TTD SLA since the inception of the contract. Accenture has begun reporting on the TTD as shown on page 5, but only for Severity 1 and 2 tickets, not Severity 3 tickets. Accenture and the State are in discussions over this issue.

2.2 Infrastructure Improvements

- **Voice Application Transformation (VAT)** – In FY 2007, the State completed a call center strategy study which recommended the replacement of the State's end-of-life Interactive Voice Response (IVR) and Octel voice mail systems as well as an enhancement of the Symposium call center system. In the third quarter of FY 2008, this project was presented to the Information Technology Authorization Committee. ITAC approved the project. In the fourth quarter of FY 2008, the due diligence phase of the project (the first of multiple phases to be completed over a two-year period) was initiated. This phase was completed in this first quarter of FY 2009 and the report is in its final revision phase. A town

hall meeting was held for all affected agencies regarding the new call center system.

- **Migration from SL100 to IPT** – Progress was made on migrating agencies to the IPT phone service and off of the SL100 system which presents a disaster recovery issue because it is located entirely in one building. The agencies targeted for the project were the Department of Agriculture, the Department of Economic Security, and the Department of Education.
- **Core Redundancy** – Significant progress was made on addressing the need to build redundancy in the State's core network to ensure the State's continued connectivity in the event of equipment failure. The project is awaiting billing.
- **New Projects** – Below is a list of new projects initiated in this first quarter:
 - **Small Office** – This project provides the access point for State small offices using less expensive carrier solutions like Digital Subscriber Lines or Cable Modem carrier service to securely enter the *AZNet* network.
 - **Virtual Office** – This project provides the access point for virtual office workers to securely enter the *AZNet* network.

2.3 Operational Improvements

- **Carrier & Commercial Power Chronic Problem Analysis and Remediation** – The *AZNet* contract does not regulate the performance of carrier or commercial power utilities. Nevertheless, the *AZNet* team is analyzing proactively chronic issues related to these infrastructure providers given that they supply essential components of the statewide converged data, voice, and video network. Addressing these chronic issues is a key part of improving the overall service reliability of the statewide network and ensuring customer satisfaction with the *AZNet* program (i.e., service failures causing outages are unacceptable to the customer regardless of problem source).

During the first quarter of FY 2009, the following results have been achieved in addressing chronic carrier and commercial power issues:

- Carrier-related chronic issues:
 - 23 new chronics were identified
 - 1 chronic was corrected
 - 22 chronics are being actively investigated and/or monitored between *AZNet* and the Carrier
- Power-related chronic issues:
 - 8 new chronics were identified
 - 1 site has been corrected
 - 5 sites have had recommendations presented to the agency
 - 1 site has agency quotes under development by *AZNet*
 - 1 site has cancelled proposals to address issue

- **Agency Project Procedure Improvements** – Efforts continue to drive continuous improvement into the management and oversight of agency projects. Updates during this first quarter include:
 - AZNet reports that all Project Management personnel (oversight and project manager) successfully completed the GITA sponsored State Project Manager training sessions to become State certified.
 - AZNet is continuing to work with the TPO to refine the process used for defining and performing AZNet projects, and progress has been made in completing the process flow.

2.4 Communications

- **Agency Outreach Meetings** – During this quarter, AZNet met with the Department of Economic Security, the Arizona Department of Transportation, the Department of Emergency and Military Affairs, the Arizona School for the Deaf and Blind, the State Lottery, the Arizona Health Care Cost Containment System, the Early Childhood Development and Health Board, the Department of Corrections, the Department of Education, the Arizona Department of Agriculture, the Cotton Council, the Department of Veterans Services, and the Treasurer's Office. These meetings are part of an AZNet Communications Plan for improving communications as well as working toward better customer service. They help identify customer satisfaction levels and action items to improve services.

3.0 Program Details

3.1 Capital Investments

Capital Investments being made by the State can be divided into two categories: (1) Infrastructure Investment Projects funded from Infrastructure Investments Charges (IIC) collected under the contract, and (2) Agency-Specific Projects funded by a specific agency requesting the project and referred to as Demand Management Team (DMT) projects. Both categories are managed and tracked through a data software system called Information Technology Governance. Below are details for each category:

3.1.1 FY 2007 Infrastructure Investment Charge (IIC) Projects

Below is this quarterly report's summary of status for FY 2007 IIC capital investment projects showing original budget projections, unless noted otherwise.

Table 1a: Summary of FY 2007 IIC Projects

#	Project	Original Budgeted Amount	YTD Expended Amount	Status	Scope / Benefit / Notes
1	Virtual Private Network/Remote Office Access Upgrade	\$83,567	\$83,567	Complete	Provided a pilot project for replacing the current end-of-life system and expanding the support of remote users (telecommuters) from 250 to 1000 simultaneous users.
2	Increase Internet Bandwidth - ADOA Circuit	\$18,192	\$18,192	Complete	Improved response time, business continuity and disaster recovery capabilities of the State's Internet service. Part of \$150,000 Contingency Budget.
3	Increase Internet Bandwidth - DES Circuit	\$18,192	\$18,192	Complete	Improved response time, business continuity and disaster recovery capabilities of the State's Internet service. Part of \$150,000 Contingency Budget.
4	Emergency Voice Replacement - Arts Commission	\$26,562	\$26,562	Complete	Replaced end-of-life telephone equipment with new IP Telephony systems. Part of \$150,000 Contingency Budget.
5	Voice Replacement - Veterans Services at Tucson, Yuma and Flagstaff *	\$24,204	\$29,725	Complete	Replaced end-of-life equipment for failing or old phone systems. Part of \$150,000 Contingency Budget.
6	Symposium Call Center Switch Replacement	\$62,851	\$65,070	Complete	Replaced end-of-life equipment that was no longer supported as of May 2007 by the vendor. Part of \$150,000 Contingency Budget.
7	SL 100 Migration End-of-life Voice - Education Department	\$207,242	\$207,242	Complete	Replaced end-of-life telephone equipment with new IP Telephony systems. The design minimized single points of failure, supported remote workers and made moves, adds and changes of telephone sets easier.

Table 1a: Summary of FY 2007 IIC Projects

#	Project	Original Budgeted Amount	YTD Expended Amount	Status	Scope / Benefit / Notes
8	End-of-life Data Equipment at Department of Transportation (ADOT) – over lapses into FY08	\$1,035,160	\$812,222	Complete	Replaced selected data routers that were no longer supported by the manufacture resulting in improved reliability and performance.
9	Voice over Internet Protocol (VoIP) - Began in FY06	\$216,141	\$216,141	Complete	Minimized toll charges by transporting calls over the State's data network.
10	Flagstaff WAN Consolidation	\$403,777	\$445,072	Complete	Reduced carrier circuit costs and toll charges, enhanced network speed and reliability, and offered converged network functionality.
11	IPT Cluster Enhancements - Initiated in FY06 and began with Water Office	\$288,000	\$309,667	Complete	Improved network management and capabilities. Expanded capacity and enhanced stability and resiliency to accommodate additional IPT network integrations.
12	Tier 1 and Tier 2 Resiliency (Phase 1)	\$295,000	\$352,198	Complete	Reduced the potential for catastrophic or intermittent down time (power, HVAC, etc.). Note: This project did not start until FY08.
13	MAGNET 2.2	\$368,541	\$376,305	Complete	Brought 18 additional sites onto the State's MAGNET optical backbone network.
14	MAGNET – Timing and Global Crossing**	\$100,490	\$100,594	Complete	Removed high cost equipment no longer needed because of network improvements and achieved savings through circuit reductions.
15	MAGNET – BPX/MPX Circuits**	\$210,177	\$210,262	Complete	Achieved savings through circuit reductions by using the MAGNET architecture and installs a clocking source for voice traffic migration onto the MAGNET.
Totals		\$3,358,095	\$3,271,011		

* Phoenix listed as one of the sites in prior reports but Flagstaff actual site for this project.

** Budget for these projects shifted from end-of-life data equipment. The end-of-life data project at ADOT is scheduled to extend into FY08. Originally budget at \$1,345,827 compared to current budget at \$1,035,160 for FY07.

3.1.2 FY 2008 Infrastructure Investment Charge (IIC) Projects

Below is this quarterly report's summary of status for the FY 2008 IIC capital investment projects based on approved expenditure authority for FY 2008 (authority does not lapse until end of FY 2009).

Table 1b: Summary of FY 2008 IIC Projects

#	Project	Original Budgeted Amount*	YTD Expended Amount	Status	Scope / Benefit / Notes
1	Phoenix Consolidation*	\$600,000	\$0	Expected Carrier Savings Under Review	Reduces carrier circuit costs and toll charges, enhances network speed and reliability, and offers converged network functionality through an extension of the MAGNET infrastructure to provide services to agencies located up and around Central Avenue in Phoenix.
2	End of Life (EOL) Data – Begin in FY07 at ADOT	\$757,694	\$903,490	Complete (Multi-year Project - part of Item 8 FY07 Table 1a)	Replaced selected data routers or devices deemed critical and no longer supported by the manufacture resulting in improved reliability and performance.
3	SL-100 Migration	\$600,000	\$517,585	In Progress (66% Complete)	Replaces end-of-life telephone equipment (for Department of Agriculture, Department of Education, and Department of Economic Security) with new IP Telephony systems as part of the Converged Network Architecture.
4	IPT Cluster Enhancements – FY08	\$360,863	\$375,129	Complete	Introduced geographic redundancy to Capital Mall voice infrastructure and provided a stable, fault-tolerant and redundant platform to migrate users from the aging legacy voice infrastructure which services 25% of State employees
5	Tier 1 and Tier 2 Resiliency (Phase 2)	\$340,384	\$340,753	Complete	Provided enhancements to the MAGNET-2 architecture mitigating the potential of severe outages.
6	Secure Remote Router Access	\$12,250	NA	In Progress (5% Complete)	Enables secure connectivity to devices managed by the Global Network Operations Center for improved monitoring and maintenance. NA = being funded via Accenture Engineering Pool Hours.
7	SSL/VPN Migration	\$12,384	\$12,384	Complete	Developed Help Desk documentation and training regarding user migration strategy from Aventail to Cisco SSL/VPN. Part of \$642,509 that was originally reported as the Contingency Budget.
8	End of Life (EOL) Voice – Veterans Affairs in Phoenix	\$125,000	\$122,695	Complete	Upgraded current software for the Option 61C PBX supporting Veterans Affairs and also implemented the Standards-based VPN solution. Part of \$642,509 that was originally reported as the Contingency Budget.

Table 1b: Summary of FY 2008 IIC Projects

#	Project	Original Budgeted Amount*	YTD Expended Amount	Status	Scope / Benefit / Notes
9	NEW Voice Application Transformation(VAT)*	\$1,568,968	\$0	Complete except for acceptance of final documentation (Multi-year Project - part of Item 3 FY09 Table 1c)	Started to replace two key end-of-life processing systems to provide a call center solution for the State. Part of \$642,509 that was originally reported as the Contingency Budget. This represents the first year of a multi-year project.
10	Cabling Infrastructure Refinement	\$8,340	\$8,340	Complete	Installed new patch panel infrastructure for better circuit identification. Part of \$642,509 that was originally reported as the Contingency Budget.
11	ATS Core Redundancy	\$192,230	\$0	Complete awaiting final Delivery & Acceptance (D&A)	Addressed need to preserve the State's connectivity through the 1510 ADOA Data Center location in the event of phone switch failure, including network routing and power redundancy. Part of \$642,509 that was originally reported as the Contingency Budget.
12	Contingency Budget*	\$135,587	\$0	N/A	Funds unanticipated cost or emergency replacements.
Totals**		\$4,713,700	\$2,280,376		

* Budget for these projects shifted to cover VAT project. Phoenix Tucson project reduced from \$2.0 Million to \$0.6 Million. In addition, \$168,968, in Contingency Budget is reallocated for a total of \$1,568,968 shifted to cover VAT project (total signed SOW at \$5.5 M).

Remaining budget of \$135,587 is targeted for IPT migration projects, including Department of Revenue.

** Revenues received in FY 2008 were \$2,937,000 rather than \$4,713,700. There are no unobligated balances available.

3.1.3 FY 2009 Infrastructure Investment Charge (IIC) Projects

Below is this quarterly report's summary of status for the FY 2009 IIC capital investment projects based on estimated revenues for FY 2009.

Table 1c: Summary of FY 2009 IIC Projects

#	Project	Original Budgeted Amount*	YTD Expended Amount	Status	Scope / Benefit / Notes
1	SL-100 Migration	\$500,000	\$0	Selection of Sites Underway	Continues to rollout an Internet Protocol (IP) Telephony-based voice architecture designed to replace the legacy SL-100 switch.
2	Converged EOL (Voice & Data)	\$1,939,105	\$0	Statement of Work in Development	Replaces those voice and data devices deemed critical within the pool of end-of-life voice and data hardware devices currently in inventory.
3	Voice Application Transformation (VAT)	\$3,360,895	\$0	In Progress (10% Complete) (Multi-year Project - part of Item 9 FY08 Table 1b)	Continues to replace the State's end-of-life Interactive Voice Response (IVR) and Octel voice mail systems and enhance the Symposium call center system. This represents the second year of a multi-year project.
4	Firewall Remediation	\$0	\$0	Under Review	Replaces disparate types of firewall devices with Cisco Adaptive Security Appliances (ASA) products. This will keep a knowledge base for support within the State umbrella for leveraging between agencies.
5	Internet POP Enhancements	\$72,000	\$0	Scope Complete	Deploys Domain Naming System (DNS) infrastructure that will enable traffic to successfully traverse a secondary internet connection should the primary connection fail.
6	Redundant Intrusion Protection	\$129,000	\$0	Scope Complete	Adds redundancy to current intrusion protection system, which consists of a single device. A second parallel device will be added to the system.
7	Internet Consolidation	\$53,000	\$0	Scope Complete	Migrates agency users from their local agency centric internet gateways to the centralized <i>AZNet</i> internet infrastructure, reducing operational complexity and providing security across multiple agencies.
8	Extranet Consolidation	\$102,000	\$0	Scope Complete	Moves extranet Virtual Private Network (VPN) connections from multiple shared routers to a single dedicated VPN device.
9	Contingency	\$500,000	\$0	Under Review	Reserves amount for unexpected costs or emergency replacements incurred during each fiscal year.
Totals		\$6,656,000	\$0		

* Budget shows best case scenario. No unobligated revenues exist at this time.

3.1.4 Agency-Specific Projects (DMT Projects)

Below is a summary status of agency-specific investments made via *AZNet* DMT projects. Note: MAC projects quantity and total dollars are no longer included in totals effective first quarter FY 2008 and forward. These MAC costs are reported in financial data in section 3.2 of this report.

Table 2: Summary of Agency-Specific Projects

	Project Quantity	Agency Investment	Total Seats Impacted	New IPT Seats
FY 2007				
1Q Completed Project Subtotal	21	\$1,056,646	600	586
2Q Completed Project Subtotal	24	\$372,926	39	6
3Q Completed Project Subtotal	4	\$152,102	133	74
4Q Completed Project Subtotal	20	\$1,727,627	510	289
FY 2007 Completed Projects Total	69	\$3,309,301	1,282	955
FY 2008				
1Q Completed Project Subtotal	4	\$99,148	340	0
2Q Completed Project Subtotal	9	\$915,748	878	624
3Q Completed Project Subtotal	6	\$252,476	59	59
4Q Completed Project Subtotal	4	\$1,018,323	534	325
FY 2008 Completed Projects Total	23	\$2,285,695	1,811	1,008
FY 2009				
1Q Active Projects	4	\$405,511	223	223
1Q Completed Projects*	3	\$256,628	80	80
1Q <i>Combined</i> Project Subtotal	7	\$662,139	303	303
2Q Completed Project Subtotal	N/A	\$0	N/A	N/A
3Q Completed Project Subtotal	N/A	\$0	N/A	N/A
4Q Completed Project Subtotal	N/A	\$0	N/A	N/A
FY 2009 Completed Projects* Total (Y-T-D)	3	\$256,628	80	80

* Installed and accepted by the customer. This does not mean invoiced.

3.2 Program Financials

Below is a summary of the AZNet Program Financials from AZNet's billing system called Billport.

Table 3: Summary of AZNet Program Financials

	Total FY06	Total FY07	Total FY08	1Q - FY09	2Q - FY09	3Q - FY09	4Q - FY09	Total FY09	Cumulative
AZNet Charges									
Seats / Per Occurrence	\$16,281,329	\$26,116,216	\$26,755,717	\$6,755,708	N/A	N/A	N/A	\$6,755,708	\$75,908,970
MACs (non-Allowance)	\$317,550	\$297,581	\$236,633	\$34,576	N/A	N/A	N/A	\$34,576	\$886,340
MAC Allowance Overage	\$7,777	\$0	\$0	\$0	N/A	N/A	N/A	\$0	\$7,777
One-Time Charges (MAC Related)	\$228,782	\$614,719	\$1,119,642	\$253,486	N/A	N/A	N/A	\$253,486	\$2,216,629
Agency-Specific Projects ⁽¹⁾	\$3,587,995	\$3,731,945	\$2,612,077	\$5,650	N/A	N/A	N/A	\$5,650	\$9,937,667
Adjustments ⁽²⁾	\$138,170	(\$96,707)	(\$49,409)	\$418	N/A	N/A	N/A	\$418	(\$7,528)
2% Early Pay	(\$90,339)	(\$344,355)	(\$325,596)	(\$68,099)	N/A	N/A	N/A	(\$68,099)	(\$828,389)
SLA Credits	\$0	(\$10,523)	(\$77,715)	(\$5,300)	N/A	N/A	N/A	(\$5,300)	(\$93,538)
AZNet Subtotal	\$20,471,263	\$30,308,875	\$30,271,350	\$6,976,438	N/A	N/A	N/A	\$6,976,438	\$88,027,926
Carrier Charges⁽³⁾									
Long Distance	\$922,658	\$1,187,336	\$992,474	\$239,059	N/A	N/A	N/A	\$239,059	\$3,341,527
Direct Carrier	\$10,173,016 ⁽⁴⁾	\$12,828,246	\$13,771,007	\$3,478,888	N/A	N/A	N/A	\$3,478,888	\$40,251,157
Shared Carrier	⁽⁴⁾	\$1,370,541	\$1,564,702	\$375,457	N/A	N/A	N/A	\$375,457	\$3,310,700
Adjustments	⁽⁴⁾	(\$5,075)	\$6,937	(\$2,112)	N/A	N/A	N/A	(\$2,112)	(\$250)
Carrier Subtotal	\$11,095,674	\$15,381,048	\$16,335,119	\$4,091,292	N/A	N/A	N/A	\$4,091,292	\$46,903,133
State Charges									
TPO & Other Retained Charges	\$2,065,696	\$3,070,271	\$3,493,845	\$878,481	N/A	N/A	N/A	\$878,481	\$9,508,293
State Operator	\$71,259	\$46,150	\$29,181	\$6,936	N/A	N/A	N/A	\$6,936	\$153,526
State Subtotal	\$2,136,955	\$3,116,422	\$3,523,026	\$885,417	N/A	N/A	N/A	\$885,417	\$9,661,820
Total	\$33,703,892	\$48,806,345	\$50,129,495	\$11,953,147	N/A	N/A	N/A	\$11,953,147	\$144,592,879
Other									
IIC Charges ⁽⁵⁾	\$633,906	\$3,421,709	\$4,908,602	\$1,642,722	N/A	N/A	N/A	\$1,642,722	\$10,606,939

⁽¹⁾ Amounts shown are for invoiced projects but actual completion of project could have occurred in previous quarter(s). Therefore, these amounts do not necessarily correspond to details shown in Capital Investment tables under section 3.1.4 of this report.

⁽²⁾ AZNet Adjustments includes AZNet Credits and Debits, Transitional Pricing (FY 2006 only), and Shared Communications (FY 2006 only).

⁽³⁾ Represents carrier charges re-billed by Accenture. These are amounts owed by agencies and paid by Accenture with no mark-up.

⁽⁴⁾ For FY 2006, Direct Carrier, Shared Carrier and Carrier Adjustments were all reported as one number called Fixed Carrier.

⁽⁵⁾ Shows the Infrastructure Investment Charge (IIC) that is already a part of the total above and collected in the seat charges listed earlier in the table. The IIC revenues are used to fund infrastructure investment projects. FY 2006 amount was retained by the contractor. FY 2007 amount was deposited in a State escrow private bank account. FY 2008 amount is deposited in a separate account established in the TPO operating fund pursuant to 2007 legislation. See sections 3.1.1, 3.1.2, and 3.1.3 of this report for actual project expenditure detail that is not shown in this report.

3.3 Operational Metrics

The table below provides a summary of key AZNet Operational Support metrics, including: Level 1 Help Desk Calls, Orders, Network Availability, Trouble Tickets, and Service Level Credits.

Table 4: Summary of AZNet Operational Metrics (unaudited)

	1Q - FY08	2Q - FY08	3Q - FY08	4Q - FY08	1Q - FY09
Support Desk					
Calls Offered	2,965	2,293	1,809	2,378	2,440
Calls Abandoned/Terminated	261	178	146	274	313
Calls Answered	2,704	2,115	1,663	2,104	2,127
Avg. Time to Answer	16.33 sec	16.66 sec	16 sec	22 sec	16 sec
Orders*					
Number of Work Orders	4,689	4,525	4,565	4,393	4,304
Network Availability					
Percent Available	99.53%	99.73%	98.40%	99.57%	99.60%
Trouble Tickets*					
Tickets Initiated	2,373	2,185	1,861	1,782	4,668
Mean Time to Repair (Hours)					
Severity 1	0.45	2.52	1.72	1.34	1.74
Severity 2	2.82	2.38	2.70	2.67	2.31
SLA 1 & 2 Missed	0	0	0	0	0
Severity 3 (Response)					
Missed Tickets	**	**	23	21	44
Service Level Credits					
Dollars Paid the State	\$0	\$0	\$0	\$2,100	\$5,300

* Includes both phone and e-mail requests.

** SLA not reported, issue resolved through settlement agreement.

3.4 Resources

Below is a summary of the AZNet program full-time contractor employee headcount.

Table 5: Summary of AZNet Full-Time Employees

AZNet Employees, by Team	1Q - FY08		2Q - FY08		3Q - FY08		4Q - FY08		1Q - FY09	
	On-Site	Off-Site	On-Site	Off-Site	On-Site	Off-Site	On-Site	Off-Site	On-Site	Off-Site
BackOffice (Billing & Asset Mgt)	15	2	14	2	13	2	12	2.25	10	2
Projects	6.75	0.75	7.75	0.75	6.75	0.75	5.75	0.75	8.25	0.5
Engineering	25.25	5.0	21.25	8	23.75	8.5	25.75	7.5	19.5	10.5
Operations	43	11.25	41	11.25	48	11.75	48	13.25	49	16.5
Program Management	6	1.5	6	1.5	6	1.5	5	0.75	3.75	0.75
Sub-Total	96.0	20.5	90	23.5	97.5	24.5	96.5	24.5	90.5	30.25
Total	116.5		113.5		122		121		120.75	

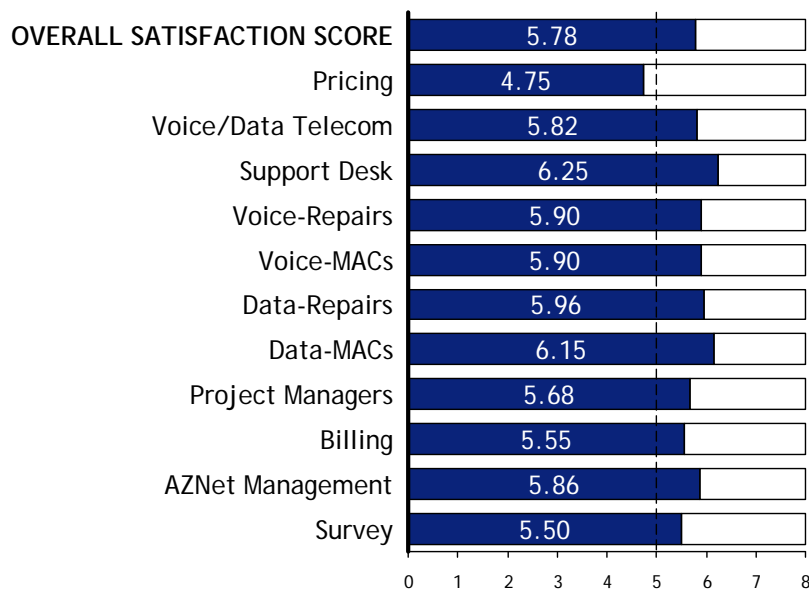
3.5 Customer Satisfaction

In August 2008, AZNet conducted a revised Annual AZNet Management Satisfaction Survey. This survey is conducted on an annual basis and was revised this year to incorporate feedback from respondents. Accenture reports that this year's survey realized a 34 percent response rate and gleaned an overall satisfaction rating of 5.78 on a scale of 1 to 8.

AZNet operations staff will follow-up with agencies with an overall satisfaction rating of five or below (based on the scale of one through eight), and will develop an action plan to address satisfaction issues. All categories of the survey that can be mapped to last years survey showed improvements in scoring. However, the category with the lowest scoring this year was "Pricing," which was implemented as a new category this year in an effort to obtain more accurate results per category (versus pricing being included as a component of each category).

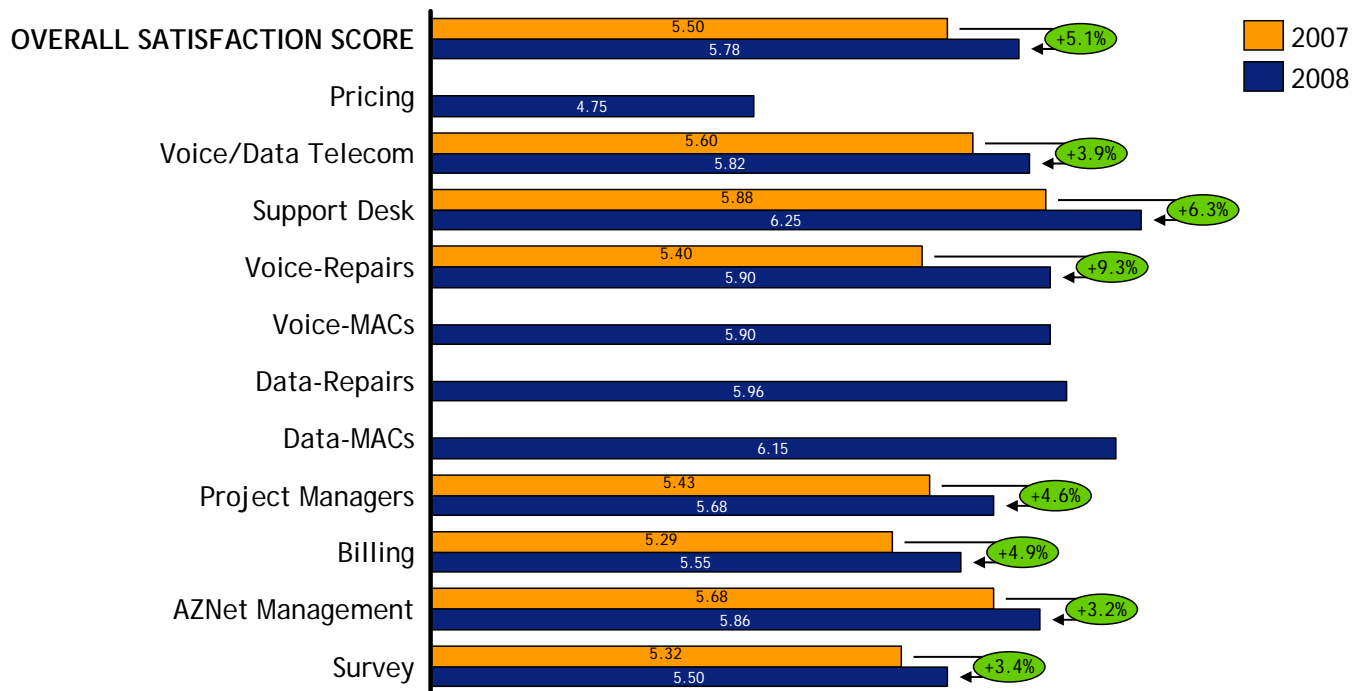
Additional information regarding the survey results is provided below. The information includes, when applicable, a comparison between each of the FY 2008 scores to the FY 2007 scores, including the percent change of the scores.

August 2008 Survey Results



- Survey response rate = 34%.
- Includes 88 responses from 75 Agencies, Boards or Commissions
- Scores are averaged across all responders not by agency.
- AZNet will follow-up with 13 Agencies having overall satisfaction rating of less than 5.0 (on 8.0 scale) and develop action plans to address satisfaction issues.

Survey Results - 2008 versus 2007



In addition, on a regular basis, “voice of the customer” surveys are conducted by the State’s Level One Help Desk to track the satisfaction rating of State personnel requesting a service change or repair via the Remedy ticket system. Below is a summary of results from the individual Remedy ticket Survey.

Table 6: Summary of *AZNet* Operations Customer Satisfaction

	1Q - FY08	2Q - FY08	3Q - FY08	4Q - FY08	1Q - FY09
Customer Satisfaction					
Responses	235*	173*	105*	52	69
Satisfaction Score	6.14*	6.54	6.81	7.11	6.83

Note: Scores based on an 8-point scale (8.0 equaling highest satisfaction score). Response is number of the respondents who may or may not provide a score for every question on the survey.

* Amounts corrected from previous quarterly reports, which were slightly over or under stated.

4.0 Appendix

4.1 Acronyms and Glossary

1. ACCU-RING: an AT&T service that establishes connections on a dual fiber ring network between AT&T Points of Presence (POPs), State premises and local access providers, employing a dual-fiber self-healing ring with a primary path and a protected path. ACCU-RING was used by the Department of Transportation, the Department of Economic Security, and the Department of Administration until recent transfer of those services to MAGNET.
2. AOP – Annual Operating Plan: outlines prior, present, and future areas of focus and investment for the program.
3. BPX: an equipment switch manufactured by Cisco.
4. DMT – Demand Management Team: support for projects valued at more than \$25,000 or involving complex engineering. The term is used to refer to infrastructure investment projects that are managed and tracked through an on-line data base system called ITG.
5. Early Pay Discount: a 2 percent credit given by the Contractor on its service charges of a monthly invoice if full payment is received within 15 calendar days of the invoice date. For example, the credit applies to seat charges but does not apply to carrier charges.
6. EOL – End-of-Life: used to refer to equipment that is no longer manufacture supported or maintained.
7. HVAC – Heating, Ventilating, and Air-Conditioning: high voltage power supply motor systems.
8. IIC – Infrastructure Investment Charge: a rate charge that varies by seat type. The charges began in April 2006 under the contract for infrastructure investment projects. They are collected as part of, but are separate from, the seat price.
9. IPT – Internet Protocol Telephony: communications services—voice, facsimile, and/or voice-messaging applications—that are transported via the Internet, rather than the public switched telephone network (PSTN). The basic steps involved in originating an Internet telephone call are conversion of the analog voice signal to digital format and compression/translation of the signal into Internet protocol (IP) packets for transmission over the Internet; the process is reversed at the receiving end.
10. ITG – Information Technology Governance: an on-line data system for managing and tracking infrastructure investment projects, contract deliverables, and action items.
11. IVR – Interactive Voice Response: a voice computer that automates the retrieval and processing of information by phone.
12. LAN – Local Area Network: a communications network connecting personal computers, workstations, printers, file servers, and other devices inside a building or campus.
13. MAC – Moves, Adds, and Changes: a service consisting of changes to voice and data configurations. There are two types of MACs – Soft MAC and Hard MAC. Soft MAC is work performed remotely usually through software changes, not requiring a

site visit by the technician. Hard MAC is service or equipment change requiring an on-site visit by the technician. Each order placed involving more than 10 Hard or Soft MACs activities are billed at the AZNet MAC rates. Charges will appear on the agency's invoice following the month the order is completed and closed. If an order involves 10 or fewer Hard or Soft MACs activities, the MAC allocation may apply. (Effective October 1, 2007, the number of activities per order is changed from 10 to 25 pursuant to an agreed upon contract amendment.)

14. MAC Allocation: a specified number of Hard and Soft MACs are included in the seat price. There are two choices of allocation available. Each state agency decides which option is to be applied.
- 1 Soft MAC and 0.20 Hard MAC per agency seat per year.
 - 0.15 Soft MAC and 0.35 Hard MAC per agency seat per year.

The MAC allocation works as follows: *AZNet Services*:

- Each order placed involving 10 or fewer Hard or Soft MACs activities goes against the agency's MAC allocation. (Please note as mentioned above in item 12, the definition here changes. Effective October 1, 2007, the number of activities per order is changed from 10 to 25 pursuant to an agreed upon contract amendment.)
- On a quarterly basis, each agency's Soft and Hard MAC usage is compared to the agency's allocation to determine if the allocation has been exceeded or underutilized. If the agency's allocation is underutilized, the unused MAC allocation is rolled into a statewide pool which is used to reduce MAC overages for agencies exceeding their allocation. The allocation in the statewide pool is divided among agencies exceeding their allocation on a percentage basis to reduce the agency's overage. Any remaining unused MAC allocations in the statewide pool are carried over in the pool for one more quarter. If those unused allocations are not used in the subsequent quarter, they are removed from the statewide pool. If the unused allocation is depleted during the quarterly process, then any remaining agency MAC overages will be charged per the AZNet MAC rates. MAC overage charges will appear on the monthly AZNet bill following the quarter end.

15. MAGNET – Multi Agency Network: a Network that was updated through the AZNet contract to connect all Tier 1 sites and all Phoenix Capitol Mall locations to support future Statewide Disaster Recovery Initiatives and to provide security for agency traffic. Both MAGNET 2.1 and MAGNET 2.2 build upon MAGNET 2, which replaced the State's existing end-of-life backbone network.
16. MGX: an equipment switch manufactured by Cisco.
17. MPLS – MultiProtocol Label Switching: a family of internet engineering standards in which Internet Protocol networks can make faster call forwarding switching decisions.
18. Service Level Credit: credits that are applied to an agency or customer for which the Service Level Agreement performance was not met by the OFFEROR.

19. Seat: a term used in the contract referring to bundled phone services provided to one employee or other single entity. There are different types of seats depending on the phone features included. Two examples are basic seats and call center seats.
20. Site Chronic Problem: three or more related Severity Level 1 or Severity Level 2 service outages reported within one month for the same Service. A problem is considered chronic upon the third service outage.
21. SL1 – Severity Level 1 (*Critical*): the highest level of severity indicating the most critical of problems. A problem is classified as a Severity Level 1 when either an entire agency's ability to perform mission critical business functions, as defined by the agency's Business Continuity/Disaster Recovery (BCDR) Plan, is in jeopardy or unavailable, or when the problem directly impacts the public's ability to receive critical state agency services.
22. SL2 – Severity Level 2 (*MAJOR*): a high level of severity indicating serious problems and/or degrading conditions without immediate impact. A problem is classified as a Severity Level 2 when an agency's ability to perform mission critical function(s) is in jeopardy or unavailable but a workaround is or can be established within a reasonable time.
23. SL3 – Severity Level 3 (*MINOR*): a medium level of severity indicating a problem exists that impacts the business but circumvention allows agency functions to continue indefinitely. A problem is classified as a Severity Level 3 when an agency's ability to perform job function(s) may be impacted or inconvenienced but agency business operations can continue to function.
24. SLA – Service Level Agreement: refers to all Critical, Standard and System Service Levels under the contract.
25. SSL/VPN – Secure Socket Layer/Virtual Private Network: devices that implement an Intrusion Prevention System to protect security and privacy. The SSL technology uses public/private encryptions keys and a firewall.
26. Standard Service Level: any services that the State deems to be of a non critical nature and does not affect service at the Enterprise level.
27. System Service Level: performance at a network level that affects service delivery system wide. Normally measured on a rolling quarterly basis, these Service Level Agreements are designed to give a broader view of the OFFERORS performance.
28. TDM – Time Division Multiplex: a technique for transmitting a number of separate data, voice and /or video signals simultaneously over one communication medium by interleaving a piece of each signal one after another.
29. Tier 1: the equipment/software located at primary core infrastructure facilities (sites). Core infrastructure facilities typically provide: voice to a campus infrastructure, and/or data center services, and/or call center services.

Tier 1 sites include:

- ADOA, 1510 W Adams, Phoenix
- ADOA, 402 W Congress, Tucson
- AHCCCS, 801 W Jefferson, Phoenix,
- DES, 1720 W Madison, Phoenix
- ADOT, 206 S 17th Ave., Phoenix

- ADOT, 2302 W. Durango, Phoenix
- DPS, 2102 W Encanto Blvd., Phoenix

30. Tier 2: either the intermediate equipment/software between Tier 1 and Tier 3 or Tier 4 equipment/software or the equipment/software located in an agency's primary facility or branch facility that provides voice, data and/or call center services.

Facilities that have Tier 2 equipment/software include, but are not limited to:

- AHCCCS, Glendale BCP site
- DOC, prisons with more than 50 employees
- ADOT, MVD locations with more than 50 employees
- DES, 225 E Valencia, Tucson
- Primary or branch agency facilities with 50 or more employees

31. Tier 3: either the intermediate equipment/software between Tier 1 or Tier 2 and Tier 4 equipment/software or the equipment/software located in a branch, or remote facility with fewer than 50 employees that provides voice and data and services.

32. Tier 4: the end user appliance (i.e. telephone or Soft PC) or a LAN switch if the OFFEROR does not provide the end user appliance.

33. Trouble Ticket or "TT": the record opened, either by OFFEROR receiving a call from the STATE (Level 1) Help Desk or OFFEROR proactively detecting the Trouble and reporting it to the STATE Help Desk.

34. VAT – Voice Applications Transformation: a project that began in FY 2008 and is estimated to be completed in FY 2010 for replacing two of the State's key end-of-life call center voice processing systems, Octel Voice Mail and Nortel Networks Interactive Voice Response systems. This project is an enterprise solution for serving call center needs of state agencies across the State.

35. VPNs – Virtual Private Networks: an extension beyond the Agencies' demarcation to external users, networks, or network resources. A VPN is used to secure network traffic to ensure the traffic is authorized to be upon the agency virtual network, is not altered, and is not privy to encapsulating transports. VPN services may be the result of many different technologies, transports, protocols, devices and encryption algorithms.

36. WAN – Wide Area Network: a public voice or data network that extends beyond the metropolitan area or outside a single entity's area.

37. Zones A, B, C, and D divide the State into regions. Zone A means sites within 5 miles of the Capitol in Phoenix (the "Central Site" in Phoenix), or within 5 miles of 400 W. Congress (the "Central Site") in Tucson, or within 5 miles of a Central Site in Yuma and Flagstaff that was selected by ADOA General Services. Zone B means within 60 miles of the Central Sites of Phoenix, Tucson, Yuma, or Flagstaff (called Zone A cities). Zone C means within 100 miles of the Central Site of a Zone A city, and Zone D means outside 100 miles of the Central Site of a Zone A city. The Central Sites are for Phoenix, the Capitol, 1700 W WASHINGTON ST, PHOENIX, AZ 85007; for Tucson, 400 W CONGRESS ST, TUCSON, AZ 85701; for Flagstaff,

1100 W KAIBAB LN, FLAGSTAFF, AZ 86001; and for Yuma, 7125 E JUAN SANCHEZ BLVD, SAN LUIS, AZ 85349 (ASPC-Yuma Prison).